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BANKRUPTCY BEAT

Judge Finds Ex-Wall Street Trader Hid Millions From Bankruptcy Court

By SARA RANDAZZO

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A once-prominent Wall Street trader imprisoned in 2005 for embezzling \$43 million from Merrill Lynch & Co. recently met the ire of a bankruptcy judge, who refused to let him get rid of his debts through bankruptcy because of repeated lies to the court.

The accumulation of deceits and excuses from Daniel Gordon “helped destroy his credibility and, quite frankly, insulted the intelligence of the court,” Judge Robert Gerber in U.S. Bankruptcy Court in Manhattan wrote in a Jan. 13 ruling. The court’s order, which follows a two-day trial held in May 2013, denied Mr. Gordon the ability to use the bankruptcy process to discharge tens of millions of dollars in debt.

Mr. Gordon filed for Chapter 7 protection in October 2009 after the Internal Revenue Service came after him to pay taxes on a portion of the stolen \$43 million. By then two years out of prison, Mr. Gordon had reinvented himself as a businessman whose projects included lending money to professional athletes at steep interest rates.

But the bankruptcy seems to have created more legal headaches than it alleviated. The trustee tasked with collecting money for Mr. Gordon’s creditors accused him of committing fraud by hiding assets, and he’s faced lawsuits in bankruptcy court from his ex-wife and a professional athlete, former NBA player Eddy Curry, who took out a loan from him.

Judge Gerber agreed with the trustee, Angela Tese-Milner, that Mr. Gordon didn’t tell the court about more than \$3.1 million in assets. The omissions include a \$2 million transfer made the year before his bankruptcy to AllStar Capital, the athlete-loan company, and transfers to other businesses he had ties to.

The judge’s ruling found Mr. Gordon didn’t make the transfers to deliberately hide money from creditors, as the trustee alleged, but that he “displayed a cavalier disregard

for his disclosure obligations in a bankruptcy case." That included making "so many false oaths that they are difficult to count."

Donald David, an attorney for Mr. Gordon, told Bankruptcy Beat on Tuesday that his client plans to "vigorously appeal" the decision to the district court. "We believe there were a substantial number of facts that favor our side that were not reflected in the decision," Mr. David said.

Yann Geron, an attorney for Ms. Tese-Milner, had no comment Tuesday. In court papers filed after the trial, Ms. Tese-Milner said Mr. Gordon's "explanations are hollow and amount to nothing more than weak excuses."

Back in the late 1990s, Mr. Gordon was a rising star at Merrill Lynch, becoming head of the firm's energy trading desk at the age of 23. He moved to Allegheny Energy in 2001 when Merrill Lynch sold its energy unit and was fired from the company the next year, according to Wall Street Journal reporting at the time. (Merrill Lynch was later acquired by Bank of America, and Allegheny merged with FirstEnergy Solutions).

In December 2003, he pleaded guilty to wire fraud, money laundering and conspiracy to falsify documents for the \$43 million embezzlement, which involved purporting to buy an insurance contract for Merrill but actually pocketing the money.

At the time of his bankruptcy, Mr. Gordon was living a comfortable life. According to court filings, he paid \$19,000 monthly rent for an apartment on Manhattan's Upper East Side and had rented a house in the Hamptons for \$140,000 in the months before seeking bankruptcy protection.

Today, Mr. Gordon is studying for a PhD at the London School of Economics, according to his lawyer, and lives primarily in Manhattan with his second wife and daughter. His primary debt in the bankruptcy, Mr. David said, is the IRS tab from the embezzled money, the amount of which is still being disputed.

Through all his legal troubles, Mr. David says, "he has managed to keep himself going and take care of his family."

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Correction: An earlier version of this article misspelled Eddy Curry's name.

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